Revenue Committee

Meeting Summary

December 14, 1999

(Adopted 1/12/00)

Committee members present: Chair Skip Rowley, Roger Dormaier, Councilmember Dave Earling, Jim Fitzgerald, Representative Ed Murray, Neil Peterson, Larry Pursley, Mike Roberts, Senator George Sellar, Commissioner Judy Wilson

Committee members not present: Vice-Chair Bob Helsell, Governor Booth Gardner

The Revenue Committee convened at 8:30 a.m. at the SeaTac Marriott. Chair Skip Rowley asked for a motion to adopt the November 16 meeting summary. One correction was offered: on page 2, third paragraph, third line, the statement " WSPA supports" was changed to "WSPA does not oppose" an increase in the state gas tax. A motion was made and seconded and the meeting summary was approved.

No members of the public wished to address the committee during the public comment period.

Public Outreach Presentation

Anne Fennessy of Cocker/Fennessy provided members with press packets that highlight the recent work of the BRCT: the issue summaries and findings as well as fact sheets. The packets were being used in outreach to the media. She said that the Commission is entering a new phase of its outreach efforts and for that, a PowerPoint presentation has been prepared. She showed the committee slides of the presentation materials now available to Commissioners to use in their speaking engagements. The materials include individual slides tailored to regional interests and needs which can be used selectively, depending on the audience. Key themes of the presentation included:

- The state's transportation system has a good foundation but is being overwhelmed by the growing demand.
- Different needs exist in different parts of the state: safety, maintenance, congestion.
- The system is complex, with not one but more than 468 entities in charge of planning, funding and developing transportation improvements.

- Numerous barriers exist that make it hard to implement solutions: inflexibility, dispersed accountability, lack of coordination, unclear priorities, insufficient funding, lack of political consensus.
- The public has told the BRCT that they want improved coordination, funds to be spent more efficiently and better prioritization.

Anne asked members to contact her if they wished to arrange speaking engagements in their communities.

Discussion of Revenue Options

Facilitator Jerry Cormick recapped last month's discussion for those who were not present. He said members had before them a matrix of the revenue options with a series of questions across the top to help in evaluating the options. The matrix was partially filled out based on the previous month's discussion. Each option should be characterized as essential, possible or unlikely.

Beginning on page 2, under the heading, Consolidate Programs, members offered the following discussion:

Consolidate Programs #2. A problem is that there are separate criteria under federal and state programs so two applications are required. Jerry Fay of the TIB offered his view that there is absolutely opportunity to merge federal and state programs. A member asked whether that would lead to the federal government driving local decisions. The answer was "No" because TEA-21 is very flexible in its spending guidelines. TIB just went through a merger of several programs in the past year and while some fund recipients were nervous about the potential loss of funds, in fact there were large gains in flexibility.
Consolidate Programs #3. The consolidation of state accounts should be considered together with the previous discussion of merging programs. A concern was expressed that if rail accounts were merged, passenger rail might take funds from freight rail. Parameters would be needed to protect funds for less visible programs.
Consolidate Programs #4. Consolidation of maintenance functions is an issue that belongs appropriately in another committee.

Loosen Restrictions #2. The line between preservation and improvement is significant when applying for grants. It can also be important for local governments in making decisions about when a project uses in-house staff vs. having to be bid out. It was commented that there is a perception that bidding out a project saves money, but that is not always necessarily true. There are two issues here: one is contracting out, the other is one of program definition. A 1995 legislative study narrowed the definition of preservation to a certain number of inches of overlay. A member noted that if a jurisdiction lets its roads deteriorate enough, the project becomes an improvement and qualifies for grant funds. The issue was referred to the Administration and Investment Committees.

Loosen Restrictions #3. Loosening program criteria could include allowing more flexibility in program definition or eliminating local match requirements. The TIB has done this with smaller jurisdictions. On the other hand, if a local jurisdiction has its own dollars at stake, it tends to have more incentive to use care in scoping the project. If local match is eliminated, how do you hold the government's feet to the fire? One suggestion was to simply fund everything that rose to a high enough priority on the 6-year plan. A member wondered what negative impacts there might be with such changes. There might be some transition issues. As some jurisdictions have virtually no local funds, a block grant concept would allow planning consistency over multiple years.
Loosen Restrictions #4. Accounting requirements need to be simplified and aligned so that jurisdictions need report only once, not separately to the state Auditor and to state or federal transportation authorities.
Loosen Restrictions #5. Already discussed above under #3.

Staff were tasked to convene a meeting of stakeholders to make recommendations on the consolidation of programs and loosening of restrictions.

Review Existing Fund Distributions

Gas Tax #2-6. A member asked whether an analysis was available on where gas tax was raised and where it was spent. Helga Morgenstern of WSDOT replied that if one considered only the gas tax, more funds are raised in Western Washington and spent in Eastern Washington. But including the MVET and federal funding, spending is almost balanced. It's important to use multi-year averages because a single very large project in a given year could skew the analysis. A suggestion was offered that the committee consider adopting a principle that equity should prevail in where funds are generated and spent. It was noted that in the legislature, Eastern Washington has traditionally provided most of the votes for gas tax increases, so has been rewarded in the political process.

Members commented that it was important to look across modes, as transit is much more widely used in Western Washington while in the eastern parts of the state, roads are often the only mode. If #6, a revision of the 18th amendment were considered, that would enable locals or regions to decide what modes should be funded. It was offered that in meetings with legislators, a surprising number had expressed interest in revisiting the 18th amendment. Another member wondered whether the gas tax is generating sufficient funds to allow it to be divided among modes. One option might be to ask for a limited change to the 18th amendment, in which a portion would be dedicated to roads and the remainder could be locally determined. The Trucking Association would be opposed to such a proposal. When BRCT goes to the voters, it will be important to have a simple proposal that yields funds, not a complicated set of measures.

It was suggested that the county-city formulas be revisited. Another member said that any willingness to look at the distribution would need new money to make it work. Also, any look at the distribution issue should look at jurisdictions that "host" high traffic volumes that are regional in nature. It was noted that the legislature authorized a new Road Jurisdiction study to address this very issue. Start of the study is on a back burner for now.

Motor Vehicle Excise Tax. The $30 remaining after I-695 is considered a fee and goes mostly to the State Patrol. Members discussed the question of what would happen if 695 were overturned in the courts. Would the committee want to discuss restructuring the MVET? Would it want to discuss dedicating it to transportation. Members decided MVET should not be addressed, as the message of the vote was clear.

Sales Tax #2. Discussing whether the sales tax for transit should be revisited, one member suggested, Yes, it should be increased. Whether or not an increase in the local sales tax authority included a cap, it would still be subject to voter approval. Two transit agencies have already "maxed out" at the .6% allowed. The state has two population centers near borders; especially Clark County loses retail sales to Oregon, which has no sales tax. Retailers will oppose any attempt to increase the sales tax. A member suggested providing an alternative so that localities have more than just one option. Best would be a menu of choices for each region to choose those that make most sense. An option might be to redistribute the existing state or local sales tax so that an additional share goes to transit. Dan Snow of the Transit Association offered the idea of a sales tax credit, not a new tax, that would reallocate a portion of the state's share to the local area. That would have implications for the state general fund and the I-601 growth formula that could affect the state's bonding capacity and the school construction fund.

Sales Tax #3. Cities are the only level of government that has no dedicated local transportation revenue source. The idea of dedicating a portion of cities' sales tax to transportation is intended to provide such a local dedicated transportation source. Cities are opposed to the idea because it takes away flexibility they currently have. It was also noted that the sales tax varies widely as a revenue generator depending on the retail base of a jurisdiction. Dedicating a portion might mean too much for some cities, and nothing for others. It presents an equity issue. The question was asked, how can cities fund their share of regional arterials. Do cities want a dedicated transportation source? Cities can already decide to dedicate a share of their local funds to transportation. Real Estate Excise Tax (REET) is a tax authorized for growth-related impacts that some cities have chosen to dedicate.

There is a problem with the capacity of the existing sources cities have. Property tax is at its limit in many places. If the courts interpret 695 one way, jurisdictions may not even get the increase from new construction. It will vary by jurisdiction what local voters will be willing to authorize. There is also a need to equalize the system to replace MVET that was lost. It will be important to create a tool box of options, so that each community can pick what works best.

Improve Production from Existing Sources

Local Options #2. One restriction on LIDs and RIDs that could be loosened is the limitation that says the assessment cannot exceed the special benefit. If property owners agree to pay more, they should

be allowed to. A bill had been proposed in the last legislative session. It was suggested that this could go forward to the Legislature in the upcoming session.
Local Options #3. The $15 vehicle license fee was previously authorized to county elected officials; now increasing the amount would have to go to the voters. It was noted that this fee is different than the MVET because it goes directly to local transportation purposes.
Local Options #4. A local option gas tax without voter approval is no longer permissible under I-695.

State Sources #1-2. Indexing the gas tax to inflation or to some other factor is opposed by the petroleum and trucking industries. The feeling is that the Legislature should make the policy rather than allowing taxes to increase without review. It was suggested that the option be examined. The question was raised about how 695 would affect the option; it was suggested that the first adoption would have to be voted on.

Federal Sources #1. The option of consolidating all federal funds at the state level and replacing the local share was felt to be worth considering. It was noted that adding federal funds to a project led to a cost increase of 20% to 30%. Considerable administrative cost savings would be possible for local jurisdictions. A long-term strategy of going to Congress to reduce the onerous federal requirements was suggested.

Improve Production from New Sources

Local Sources #2. There was no support expressed for a B&O tax on gasoline, as most cities do not have a B&O tax.
Local Sources #3. Members agreed to drop the county B&O tax idea but keep the county utility tax as part of the tool kit.
Local Sources #4. A new commuter parking tax passed the House last session. It would have taxed both free and paid parking used by commuters. It was suggested that this could be linked to land use policy by allowing fewer parking spaces in new developments. However, developers do not favor building with less parking. The public would also be unlikely to support new parking taxes. It was felt that this option be considered a low priority.
Local Sources #6. The sales tax may already be approaching its practical upper limit in some areas. There is evidence that people are avoiding the sales tax by shopping on the Internet.

The discussion of the remaining options was deferred to the next meeting.

The Committee adjourned at 11:45 a.m.